

Directive 088: Licensee Life-Cycle Management

Directive 088 outlines how the Alberta Energy Regulator assesses the capabilities of a licensee to meet their regulatory and liability obligations throughout the energy development life cycle.

What's included in *Directive 088*?

- A holistic assessment of a licensee's capabilities and performance
- Licensee Management Program
- Inventory Reduction Program
- License transfer requirements
- Security collection requirements

What is a holistic assessment?

The holistic assessment considers more than 40 factors to assess the capabilities of licensees to meet their regulatory and liability obligations, including financial and liability risk; the licensee's administrative, operational, and closure performance; the remaining lifespan of the resource; and unreasonable risk factors from *Directive 067* (section 4.5).

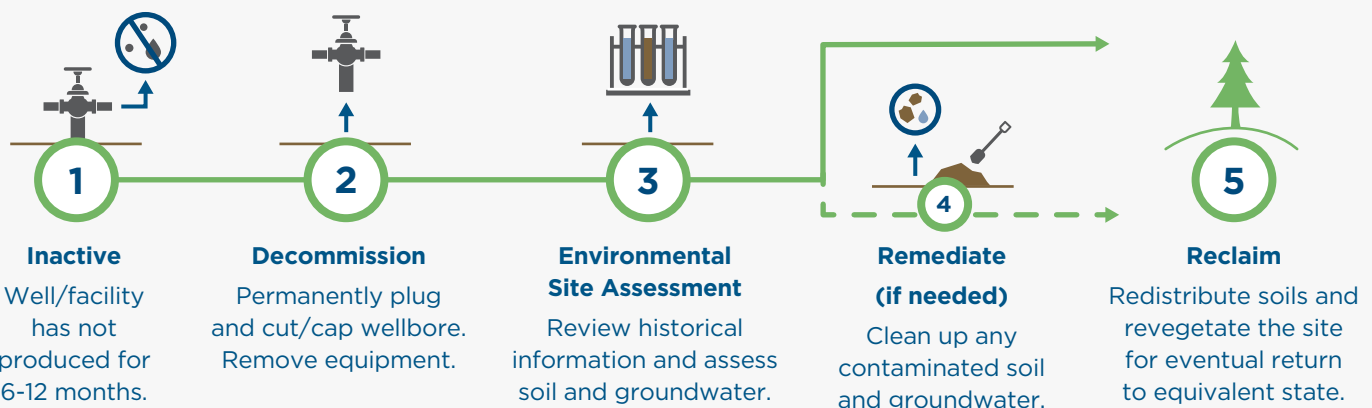
What is the Licensee Management Program?

Through the Licensee Management Program, we work directly with licensees that are or are likely to be at risk of not meeting their regulatory and liability obligations throughout the energy development life cycle. This may involve providing education and, where appropriate, specific compliance actions.

What is the Inventory Reduction Program?

The purpose of the Inventory Reduction Program is to increase the amount of closure work that returns the land to equivalent capability (i.e., the land can support uses similar to what it could before development took place). The Inventory Reduction Program has two components: closure quotas and closure nomination.

STAGES OF CLOSURE





Closure quotas specify the minimum dollar amount licensees are required to spend on closure work each year, which includes the decommissioning, remediation, and reclamation of oil and gas infrastructure and sites.

Closure nomination allows eligible requesters to nominate inactive or decommissioned oil and gas wells and facilities for closure work. If the nomination is accepted, the licensee must prepare a closure plan and complete the work as per *Directive 088* or provide evidence showing why the nominated site should not be closed.

How are licence transfers handled in *Directive 088*?

AER-licensed infrastructure does not automatically transfer when a purchase agreement has been made. We decide on the transfer of AER-licensed wells, facilities, and pipelines. *Directive 088* outlines that a licence transfer application will trigger a holistic licensee assessment of both the transferor (company selling) and transferee (company purchasing).

How is security collected under *Directive 088*?

When security is collected or a refund is requested for security collected under *Directive 088* (which only includes the Licensee Management Program, the Inventory Reduction Program, and transfer applications), we may consider the results of the holistic licensee assessment.

***Directive 088* and the LMF**

The government's new *Liability Management Framework* directed us to develop a system to assess licensees' capabilities across the energy development life cycle prior to regulatory decisions. *Directive 088* is the first phase of requirements that were implemented to address this government direction. The holistic assessment in *Directive 088* replaces the use of a liability management rating for licence transfers and, in some instances, for the determination of security deposits. With additional requirements being developed, ongoing implementation of the new framework will result in the liability management rating being replaced across all previous liability management programs and enabling the holistic assessment to be more widely used for decision making.

QUESTIONS?



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